

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6877

BILL NUMBER: HB 1343

NOTE PREPARED: Jan 13, 2004

BILL AMENDED:

SUBJECT: Property tax credit and deduction eligibility.

FIRST AUTHOR: Rep. Burton

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: With respect to real property, this bill changes the deadline for filing for the homestead credit and individual property tax deductions from May 10 to September 15. The bill allows the credit and the deductions if the applicant owns real property or is purchasing the real property under contract as of September 1, or if the applicant owns a mobile home or manufactured home or is purchasing the mobile home or manufactured home under contract as of February 15. It makes conforming amendments.

Effective Date: Upon passage.

Explanation of State Expenditures: Changing the deadline for filing for the homestead credit and individual property tax deductions from May 10 to September 15 could result in an increase in the number of homeowners who apply for and receive property tax deductions and the homestead credit.

The bill also allows homestead credit and the individual property tax deductions if the applicant owns real property or is purchasing the real property under contract as of September 1, or if the applicant owns a mobile home or manufactured home or is purchasing the mobile home or manufactured home under contract as of February 15. This provision changes the date of ownership so that it aligns with the new filing deadline.

Homestead credits are paid from the Property Tax Replacement Fund, which is annually supplemented by the state General Fund. Any additional homestead credit expenditures would ultimately come from the General Fund.

The bill applies to property taxes first due and payable after December 31, 2004.

Explanation of State Revenues: The state levies a small tax rate for State Fair and State Forestry. Any reduction in the assessed value base resulting from an increase in property tax deductions will reduce the property tax revenue for these two funds.

Explanation of Local Expenditures: The bill requires the county auditor to provide updates before October 15 of each year, to reflect credits and deductions, given the new deadline, to each political subdivision. This provision will increase administrative expenses for the county auditor. The impact is indeterminable and will vary from county to county.

Ten counties currently provide a locally funded homestead credit. These counties include Allen, Madison, Marion, Miami, Monroe, Perry, St. Joseph, Spencer, Tippecanoe, and Vanderburgh. If additional taxpayers in these 10 counties receive the state homestead credit as a result of this bill, they will also receive the local homestead credit. The local homestead credit is paid for with County Option Income Tax (COIT) proceeds. The amount of COIT revenue available for distribution to local civil taxing units would be reduced by the amount spent for additional local homestead credits.

Explanation of Local Revenues: Additional deductions reduce the assessed value tax base. This reduction causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local taxing units.

Information Sources:

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.